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SENSITIVE
SIPDIS

STATE FOR ISN/ECC - YWONG, ACHURCH, AND ROWEN
STATE FOR EAP/TC - MTOYRYLA
STATE FOR ISN/MTR - PDURHAM, SBOYER, JMAYES, AND RPALMIERO
DHS/CBP/INA FOR D KING
DOE/NNSA/INECP FOR TPERRY AND SJONES

E.O. 12958: N/A
TAGS: [ETTC](#) [MNUC](#) [PARM](#) [PREL](#) [KSTC](#) [KNNP](#) [TW](#)
SUBJECT: EXBS: TAIWAN MONTHLY REPORTING CABLE - SEPTEMBER 2008

REF: 08 TAIPEI 9966

I. BROAD ITEMS OF INTEREST TO ADVISORS AND AGENCY MANAGERS:

1A. (U) Based on a survey by the U.S. Association for Manufacturing Technology (AMT), Taiwan's machine tools industry is poised to perform well in overall production value and export volumes for 2008. The 2008 AMT survey shows that Taiwan is estimated to rank 5th, with a total production value of USD 5.3 billion among the world's major machine tool manufacturing economies, and remain the world's 4th largest machine tool exporter with a total export volume of USD 4.1 billion. In 2007, Taiwan ranked 6th in terms of production, valued at USD 4.4 billion, and 4th in terms of exports, valued at USD 3.4 billion.

The survey showed that Germany will become the world's largest machine tool manufacturer by the end of 2008 with a total production value reaching USD 16 billion, surpassing Japan, which is estimated to have a production value of USD 12.9 billion. China follows at USD 12.3 billion and Italy at USD 8.62 billion. Korea ranks below Taiwan at 6th place, with USD 4.9 billion in production value.

In terms of export volume, Germany is expected to rank 1st at USD 11.4 billion, Japan at USD 8 billion, Italy at USD 4.9 billion, Taiwan at USD 4.1 billion, with China and Korea both at USD 2.2 billion.

The survey was conducted by the AMT during the International Manufacturing Technology Show in Chicago in September 2008. It was based on data compiled from the world's 22 major machine tool producing and consuming economies in attendance at the trade show.

II. COMPLETED ACTIONS FOR THE REPORTING PERIOD

1A. SITE ASSESSMENTS AND MEETINGS DURING REPORTING PERIOD:

1. (SBU) On September 4, the Advisor met with officials of the Taiwan External Trade Development Council (TAITRA) to discuss Taiwan's trade promotion activities in the Middle East. TAITRA is a non-governmental organization funded partly by the Ministry of Economic Affairs (MOEA). TAITRA works closely with the Trade Development Division of the Bureau of Foreign Trade of the MOEA in its trade promotion activities.

(SBU) According to TAITRA officials, the current Middle East market share for Taiwan is small, consisting mainly of general consumer goods. However, TAITRA officials see bigger business opportunities in the region. TAITRA is particularly focused on gaining market share for Taiwan's machinery products. The official stated that only 1.5% of machine tools exhibited in the three major machine tool trade shows in the world are made in Taiwan. One-third of machine tools under the Taiwan pavilion in the trade shows are in fact machine tool products made in China by Taiwan-owned companies.

(SBU) The TAITRA official stated that the biggest impediment to increasing trade in the Middle East is cultural differences in business practices. For example, entering into a business relationship is a "life-time" commitment that can only be terminated by the Middle Eastern partner, but not by the Taiwan partner. Also, the officials stated that smaller Taiwan companies cannot compete with the European and Japanese conglomerates for mega projects, which is where the money is.

(SBU) With regard to trade with Iran, the TAITRA official stated that Taiwan considers Iran to be a growth market. TAITRA participates in trade shows in Iran, such as the Plastic Machinery, Automobile Parts and Electronic Exhibition. (Note: According to press reports, TAITRA is organizing Taiwan companies' participation in the Plastics and Rubber Machinery Show in Iran (PRMS) from

November 11 to November 14, 2008. In 2007, Taiwan's total export value of plastics and rubber machinery to Iran reached USD 18.96 million, a 32.7% increase from 2006. According to the press report, Iran's PRMS is the only professional trade show of its size in the Middle East. The organizers of the PRMS are Iran International Exhibitions Company and Iranian International Petroleum Company. Previous PRMS, with total exhibition space of 27,313 square meters, attracted 886 companies from 24 countries. Approximately 40,000 visitors are expected to attend the November trade show, and over 30 Taiwan companies are expected to participate.)

(SBU) The official added that Iranian companies have easy access to Taiwan companies, and so TAITRA does not regularly act as a communication channel between Iranian and Taiwan business people. Moreover, the officials added that Iran can easily obtain commodities from China since China is less restrictive in its trade with Iran.

(SBU) With respect to trade with the United Arab Emirates (UAE), 16 Taiwan companies currently have branch offices there. The TAITRA official stated that Taiwan companies who would like to develop trade relations with Iran do not need to establish offices in Iran since Iranian companies themselves have offices in the UAE to facilitate trade between Iran and other trading partners, including Taiwan.

12. (SBU) On September 4, the Advisor met with Kang Da, the local subcontractor for ICP software development, and the Bureau of Foreign Trade to review the progress of the software development. BOFT will review the ICP software content and will submit the final version to the local subcontractor. The first deployment seminar is scheduled to be conducted before April 2009 following the training for local instructors in January 2009.

13. (SBU) On September 10, the Advisor participated in the Australia Group's briefing on its recent activities to Taiwan officials. Representatives from Japan and the Czech Republic also attended. The meeting was hosted by the Ministry of Foreign Affairs. A reporting paper has been forwarded to ISN/CB.

14. (SBU) On September 11, the Advisor met with the Ministry of Justice Investigation Bureau to get an update on export control enforcement activities. See refTel for details on closed and on-going cases.

15. (SBU) From September 22-26, the Advisor was in Seoul, Republic of Korea (ROK), to participate in the Fourth Regional Assistance and Protection Course for Asian States Parties hosted by the ROK and the OPCW, attend an industry outreach event sponsored by the Korea Strategic Trade Institute, and meet with officials of the Ministries of Knowledge Economy and Foreign Affairs and Trade (MOFAT) to discuss future bilateral export control cooperation. A read-out from the meetings has been sent to ISN/ECC.

1B. BLUE LANTERN:

(SBU) No checks were conducted by the Advisor during the reporting period.

III. TRAINING CONDUCTED DURING REPORTING PERIOD:

(SBU) No trainings were conducted during the reporting period.

IV. UPCOMING TRAINING:

(SBU) On December 10-11, an Industry-Government Outreach program,

implemented by the Department of Energy, is being planned in Taichung. This program will follow the same format as the July program with a focus on companies located in Central Taiwan. Many machine tool manufacturers are located in Taichung.

IV. UPCOMING MEETINGS:

IA. (SBU) On October 6, the Advisor is scheduled to meet with the Bureau of Foreign Trade to review the progress of the software development and export control related issues.

IB. (SBU) On October 6, the Advisor will meet with the Directorate General of Customs to follow up on the Iranian shipping company issue.

IC. (SBU) On October 16, the Advisor will travel to Taichung to select a venue for the IG training programs and to meet with the President of the Taiwan Machine Tool and Accessory Builders Association.

ID. (SBU) On November 3-4, the Advisor will speak at an Export Administration Regulations Seminar organized by the Ministry of Knowledge Economy of the Republic of Korea on U.S. re-export rules, and meet with officials of ROK's MOFAT on export control cooperation issues.

VI. RED FLAG ISSUES:

None.

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YOUNG